

**STATEMENT OF EVERETT SCHENK BEFORE**  
**THE HOUSE INTERNATIONAL RELATIONS COMMITTEE**  
**ON BEHALF OF BNP PARIBAS**

My name is Everett Schenk. Since May 2000, I have served as CEO of the North American corporate and investment banking operations of BNP Paribas. In its entirety, the Bank currently has over 10,000 employees in the United States. In my capacity as CEO and since May 2000, I have been responsible, among other things, for overseeing the operations of the New York branch of the Bank, which provided certain banking services for the United Nations in connection with the UN's Oil-for-Food Program. These banking services were provided under a written Agreement for Banking Services between the United Nations and the Bank.

In order to understand the Bank's role in connection with the Oil-for-Food Program, it is important to observe two essential points. First, the Bank's sole customer under its Banking Services Agreement with the UN has been the UN itself. Second, at the outset of the Oil-for-Food Program, the Sanctions Committee of the UN Security Council, also known as the 661 Committee, whose members included all members of the Security Council, implemented detailed procedures for the review and approval of all the oil and humanitarian goods transactions under the Program. The Bank was aware of those controls from the beginning, and throughout has processed such transactions only when they had been authorized by the Sanctions Committee.

The role of the Bank under the Banking Services Agreement has consisted of delivering non-discretionary banking services to its customer, the UN. Generally, on the oil side of the Program, the Bank's services have involved the confirmation of letters of credit issued on behalf of UN-approved purchasers of Iraqi oil. Those letters of credit were issued by various banks for the benefit of the UN Iraq Account -- an account that

was opened by the UN at the Bank's New York branch at the inception of the Oil-for-Food Program. When a bank confirms a letter of credit, it takes upon itself the obligation of the issuing bank to pay the beneficiary, here the UN. The Bank's confirmation of each of the oil letters of credit was done at the direction of the UN.

The processing of oil letters of credit under the Oil-for-Food Program conformed with standard practices governing letters of credit, with the following additional controls imposed by the UN: (i) each contract between the Iraqi State Oil Marketing Organization, or "SOMO," and a buyer had to be approved by the UN; (ii) the price of the oil was established by a process approved by the UN; and (iii) the loading of the oil was supervised by an independent company appointed by the UN to ensure that the correct volume and grade of oil was loaded. At the payment stage, all shipping documents were presented to the Bank by the UN.

On the humanitarian side of the Oil-for-Food Program, the Bank's services under its contract with the UN have involved the issuance of letters of credit at the direction of the UN for the benefit of UN-approved suppliers of goods to Iraq. Those letters of credit provided the necessary assurance to suppliers that they would receive payment for their goods once they had been delivered to Iraq in accordance with their contractual obligations. The processing by the Bank of those letters of credit was performed in accordance with standard letter of credit practice, with the additional safeguard that, prior to payment, the UN was required to provide the Bank with a certificate confirming the arrival of the goods in Iraq based upon an independent inspector's report.

Significantly, the Bank has had no discretion over how money has been spent or invested under the Oil-for-Food Program. The Bank did not select the buyers of the oil or the sellers of the goods; it did not establish the volume or price of the oil to be

sold by Iraq; and it did not determine the goods to be supplied or the price to be paid for them.

It is important to point out that the Bank is not the only institution that has held funds for the Oil-for-Food Program. Other banks have been involved in holding such funds from the outset of the Program. Although 100% of the proceeds from the sale of oil initially were credited to the UN Iraq Account at the Bank, only 59% of those proceeds remained in that Account. The balance of those proceeds immediately were transferred to a UN account at JP Morgan Chase pursuant to instructions from the UN: 13% of the funds to be used by the UN to provide relief to the Kurdish provinces in Northern Iraq; 25% to be used by the UN to provide compensation to victims of the first Gulf War; and 3% to be used by the UN for weapons inspection and to defray the costs of administering the Program.

In short, the Bank's role under the Banking Services Agreement has been to confirm oil letters of credit, ensuring that the UN Iraq Account received all of the proceeds from the UN-approved sales of Iraq oil; to credit the UN Iraq account with the proceeds from UN-approved oil sales; to transfer certain of those funds pursuant to UN instructions; to invest the balance pursuant to UN directives; and to issue, process and pay humanitarian letters of credit at the direction of the UN, all in accordance with traditional trade finance practice and the specified protections of the Oil-for-Food Program.

The Bank's provision of services pursuant to the Banking Services Agreement was licensed by the United States Department of Treasury Office for Foreign Asset Control, or "OFAC." Moreover, all services provided by the Bank under the Banking Services Agreement were performed within a framework designed by the UN. In addition, to continue the Oil-for-Food Program, which was conducted in six-month phases, the UN Security Council needed periodically to authorize the Program's renewal.

In fact, the Security Council approved the renewal of the Program on 13 occasions during the course of the Program.

All letters of credit confirmed or issued by the Bank under the Banking Services Agreement also were governed by the Uniform Customs and Practices for Documentary Credits, a set of detailed procedures for letters of credit published by the International Chamber of Commerce. Program transactions also were subject to U.S. regulatory requirements, including in particular, the screening of any Program participant against lists of specially designated nationals published by OFAC.

In sum, under the Banking Services Agreement, the UN was the Bank's sole customer. The role of the Bank under that Agreement was clearly defined and circumscribed. The responsibilities of the Bank thereunder were non-discretionary banking services related to the processing of letters of credit that were designed to facilitate transactions for the UN-approved sale of oil and purchase of goods by Iraq. The Bank reasonably relied upon the Sanctions Committee for its authorization of all of the oil and humanitarian transactions under the Program. Aside from temporary backlogs and other administrative matters that did not affect the integrity of the Program, the Bank believes it properly fulfilled all of its responsibilities under its Banking Services Agreement in accordance with all applicable legal and regulatory requirements.